

Message Text

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E.O. 11652: GDS
TAGS: EFIN PE
SUBJ: PERUVIAN FINANCIAL CRISIS

REF: STATE 103485

1. GARCIA BEDOYA'S POINT ABOUT THE RISK OF A "LOUD SILENCE" FROM WASHINGTON SEEMS TO US WELL TAKEN. IF THE GOP DOES COME UP WITH A CREDIBLE NEW STABILIZATION PROGRAM, DE LA PUENTE WILL, UNDER THE CURRENT SCHEME, BE OFF FOR WASHINGTON IN SEARCH OF THAT "RAPID RESPONSE" GARCIA BEDOYA HIGHLIGHTS. WE WILL NOT BE ABLE TO RESPOND IN ANY VERY MEANINGFUL FASHION TO THE FIRST THREE REQUESTS ON THE AMBASSADOR'S AGENDA: HELP WITH THE IMF, HELP WITH THE BANKS, AND "NO FURTHER COMPLICATIONS" FROM THE COMPTROLLER OF THE CURRENCY. THE FOCUS THEN WILL BE ON THE FOURTH ITEM, AN ESF BRIDGE LOAN.

2. IN FACT, THE ISSUE OF BRIDGE FINANCING WILL ALMOST CERTAINLY ARISE IRRESPECTIVE OF A POSSIBLE DE LA PUENTE VISIT. OUR READING IS THAT THERE WILL BE CONSIDERABLY MORE DELAY THAN THE "FEW DAYS" MENTIONED BY GARCIA BEDOYA BETWEEN ANY AGREEMENT WITH THE FUND AND DISBURSEMENT BY THE BANKS OF THE LOAN PACKAGE, AND THAT THE GOP WILL THUS BE SEEKING SOME FORM OF BRIDGE FINANCING. WE SHOULD THEREFORE
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BEGIN CONSIDERING HOW WE WOULD RESPOND TO SUCH A REQUEST. ASSUMING A SATISFACTORY AGREEMENT WITH THE FUND, WOULD WE STILL CONSIDER ESF BRIDGE FINANCING INAPPROPRIATE? THE RECENT PERUVIAN ACCORD WITH THE SOVIETS APPEARS TO HAVE ELIMINATED ONE OF THE EARLIER ARGUMENTS AGAINST A BRIDGE LOAN, BUT THE LIKELIHOOD OF PERU ENTERING INTO FORMAL DEBT RENEGOTIATIONS WITH US IN THE NEAR FUTURE FURTHER

COMPLICATES THE SITUATION. WE WOULD ASSUME THAT OUR MAXIMUM RESPONSE WOULD BE A PARTIAL OR TOKEN ESF BRIDGE LOAN (IN PARALLEL WITH BRIDGE FINANCING FROM SEVERAL MAJOR BANKS), FIRMLY TIED TO REPAYMENT AT THE TIME THE FULL PRIVATE BANK LOAN IS DISBURSED.

3. IF WE CONTINUE TO CONSIDER SUCH A LOAN INAPPROPRIATE, IT WOULD BE BEST TO TELL THE GOP SO BEFORE THE FOREIGN MINISTER TRAVELS. HE WILL HAVE TO CALCULATE WHAT HE MUST BRING BACK IN ORDER TO MAKE THE TRIP ADVISABLE IN TERMS OF THE POLITICAL REALITIES HERE. DESPITE THE OMISSION FROM GARCIA BEDOYA'S LIST, DE LA PUENTE WILL SURELY HAVE DISCUSSIONS OF DEBT RESCHEDULING AMONG HIS HIGHER PRIORITIES. THE USG COULD, IF HE WERE SO TO REQUEST, AGREE PUBLICLY TO PARTICIPATE IN A MULTI-LATERAL RESCHEDULING. THAT MIGHT BE OF SOME HELP TO THE MINISTER. BUT BEYOND THAT, AND IF THE BRIDGE LOAN IS OUT, THERE WOULD NOT APPEAR TO BE MUCH TO BE GAINED FROM THE TRIP ON EITHER SIDE.
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